ENTREPRENEURS ACCOUNTABILITY: ACCOUNTING OR BEHAVIORAL ISSUES?

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ABSTRACT

In higher education, the topic on auditing is intensively studied in great details to note the importance on reviewing and evaluating financial reports of various organizations. It is also known that auditing is regarded as the reference point for business growth as financial records become the basis for future decisions, not only for prospective investors, but also for owners and management in formulating future action steps. Hence, it is expected that auditing is also important not only for large organizations, but also for small and medium enterprises.

This research is intended to seek out relationships between the roles of entrepreneurs as business owners, and the roles of entrepreneurs as managers toward accountability of organizational records and performance. The reference point for this research is the entrepreneurial theory of the firm, to establish the building blocks in closing onto the entrepreneur accountability in managing the organization's portfolios. The second reference point for this research is the individual rational theory, which states that it is considered rational for individual entrepreneurs to continue growing. Taking up the role as managers, it is also deemed rational for entrepreneurs to expand organizational activities by various means. Factors, such as; hyper-competition, technological advancement, shorter product life cycles, and innovation, are also incorporated into the studies to reveal the connection between the entrepreneurial accountability, and the rationality of entrepreneurs in making business decisions toward organizational growth.

Preliminary studies have been conducted, not only covering small/micro businesses, but also large establishments. Those preliminary studies include; a study on measuring human resources (Anantadjaya, 2009), an entrepreneurial mindset development model (Anantadjaya, et al, 2010), and an entrepreneurial study to note the role of entrepreneurs in project management (Anantadjaya and Mulawarman, 2010).

Keywords: entrepreneur, accountability, theory of the firm, behaviors, risks

1. INTRODUCTION

The study of entrepreneurship has been widely accepted in many higher institutions in Indonesia; starting from undergraduate degree programs, all the way into graduate and post-graduate programs. Entrepreneurial activities are closely related to risks and management of business risks. The word "entrepreneurship" can be freely defined as one's willingness to take and assume risks in relation to one's available and/or potential resources, situations, and conditions (Anantadjaya, 2007; Iyigun and Owen, 1997; Krug and Metha, 2001; Earle and Sakova, 2001; Thurik and Wennekers, 2001; Yogaswara, et al, 2005). This definition is further polished by Hisrich, et al (2005), who claims that "entrepreneurship" represents the processes of trying to create something new. In trying to create something new, unfortunately entrepreneurs must live with both risks and rewards (Anantadjaya, 2007; Hisrich, et al, 2005). This definition appears simple to implement. Everybody wants to create something new; at least creating something different than what the market offers today, is perceived sufficient. It is also believed that by creating something new and different, it is equal to creating value for themselves and their surroundings (Venkataraman, 2001).

Whenever students are studying entrepreneurship, the most likely topics to be discussed are encircled around the roles of entrepreneurs, with business plans as the physical outcome. Generally, the roles of entrepreneurs may be segregated into either taking up the role as business owners, or managers. The role as business owners may push entrepreneurs more toward efficiency (Anantadjaya, 2007; Hisrich, et al, 2005). The role as managers, on the contrary, may push entrepreneurs more into thinking about effectiveness (Anantadjaya, 2007; Hisrich, et al, 2005; Stutely, 1999).

Thus, referring to the definitions above, it is apparent that the study of entrepreneurship and role of entrepreneurs shows close intimacy. Many of the foundations have been laid in previous studies, papers, and conferences, not only on the studies on entrepreneurship, but also on the entrepreneurs themselves as players. For the purpose of extracting conceptual framework of thinking on entrepreneurship, this paper refers to academic sources on "Entrepreneurship" by Hisrich, et al (2005). Likewise, for the purpose of extracting conceptual framework of thinking on roles of entrepreneurs, this paper refers to common sources on accountability of entrepreneurs on organizational records and performance. These common sources are abundantly available in strategic management literatures, particularly on various ideas on managerial performance, including the notion on value-based management (Anantadjaya and Yudha, 2010; Anantadjaya, 2009).

As mentioned, this paper attempts to seek out relationships between the role of entrepreneurs as business owners, and the roles of entrepreneurs as managers toward accountability of organizational records and performance. The reference point for this study is business portfolio theory for young entrepreneurs since it appears to assimilate both individual rational theory and organizational rational theory. It is considered rational for individual entrepreneurs to continue growing. It is also reckoned to be rational to expand organizational activities by various means. Thus, it assumes that entrepreneurs are rationally seeking ways toward enhancing the business portfolios. Four pre-selected factors, on hyper-competition, technological advancement, shorter product life-cycle, and innovation, are incorporated in this study to represent the complexity of business portfolio theory (Anantadjaya, 2007; Besanko, et al, 2000). Also, the entrepreneurial mindset development model is used to represent the improvement on business portfolio (Anantadjaya, et al, 2011). This follows the concepts on directional strategies from Noe, et al (2008), specifically on "concentration strategy", and "internal growth strategy".

2. LITERATURE REVIEW

2.1. Affecting Factors

In today's economy, not only in Indonesia, but also in many other countries, there are affecting factors that entrepreneurs must recognize. These factors are considered separate from any risks entailing the initial set-up of organizations. When entrepreneurs forget to integrate such factors, revisions on various business strategies could be a major task, and thus, time-consuming. This paper focuses on the following pre-selected factors of; [a] hyper-competition (Anantadjaya, 2007; D'Aveni and Thomas, 2004; Hisrich, et al, 2005; Kotler, 2000), [b] technological advancement (Anantadjaya, 2007; Dauphinais and Price, 1998; Hisrich, et al, 2005; Haag, et al, 2004; Kotler 2000), [c] shorter product life cycles (Anantadjaya, 2007; Anantadjaya and Nawangwulan, 2006; Hisrich, et al, 2005; Kotler, 2000; Haag, et al, 2004; Yogaswara, et al, 2005; 2010; Yogaswara, et al, 2006; 2010), and [d] innovation (Anantadjaya, 2007; Dauphinais and Price, 1998; Burlton, 2001; Dunham and Venkataraman, 2002; Galliers and Leidner, 2003; Gamsey, et al, 2004; Haag, et al, 2004; Hisrich, et al, 2005; Knyphausen-Aufsess and Bieger, 2006; Irawanto, 2006).

2.1.1. Hyper-competition

Hyper-competition is undoubtedly seen in today's business practices (Anantadjaya, 2007; D'Aveni and Thomas, 2004; Hisrich, et al, 2005; Kotler, 2000). Hyper-competition refers to the period where business establishments face constant ups and downs on their cycles as compared to past periods. Some examples include; creating new know-how, price-equality positioning, first mover advantage, or deep pockets competition. In order to manage such variations, entrepreneurs must act accordingly by properly utilizing the available resources. It means that what entrepreneurs may have previously planned, may have to be totally modified to account for fluctuations. Often, what is happening beyond the Indonesian borders can substantially bring-about impacts to the domestic business environment. Failure to take on considerations and/or taking precautionary steps toward hyper-competition may unnecessarily delay any business creations or business developments. This impacts the competitiveness of the entrepreneurs.

Thus, entrepreneurs must account for all available resources at start-up, not only about funds management, but also about reducing uncertainties. It may simply mean that entrepreneurs should start with what they already have on-hand. From there, entrepreneurs must constantly develop ventures to put the products and services ahead of competition.

Many accounting records and statistics on general business environment in any given country are able to show symptoms of hyper-competition. Entrepreneurs may have to look constantly on the records to formulate appropriate actions to ensure the sustainability of the business operations. Various accounting records, such as; sales, interest rates on loans, interest rates on deposits, and exchange rates, for example, are choices of records to note the likelihood of hyper-competition. External variables are also available for use toward estimating the possibility of hyper-competition; for instance, stock indexes, numbers of substitutes, marketable securities, inflation, and variations of price levels for similar products and services.

2.1.2. Technological Advancement

Generally, entrepreneurs should act fast concerning the technological advancement, as if they have already incorporated such technological advancement in their own organizations (Anantadjaya, 2007; Hisrich, et al, 2005; Haag, et al, 2004; Kotler 2000). This is certainly expensive for young firms since technology carries hefty premium price-tags. The computer-less entrepreneurs may have difficulties in expanding their business when they ignore the power of computers, not to mention the exponential power of internet, and other types of technological advancement.

Anantadjaya (2007), and Dauphinais and Price (1998) indicated that technology must be well-understood since sizeable leverage can be automatically obtained whenever technology is fully utilized in organizations. Entrepreneurs must involve in any organizational technological absorption and transformation processes. This is to say that assets/capital should be managed properly. The manual way of doing things may no longer deliver the effectiveness that entrepreneurs often require. The use of a computerized payment system, for instance, should provide a significant boost toward the entrepreneurs' overall business operations. To account for technological advances, entrepreneurs must constantly monitor the business operations for technological absorptions (Anantadjaya, 2007; Galliers and Leidner, 2003; Haag, et al, 2004).

2.1.3. Shorter Product Life Cycles

The hyper-competition has shown its impact on shortening the product life cycles today (Anantadjaya, 2007; Hisrich, et al, 2005; Kotler, 2000; Haag, et al, 2004; Yogaswara, et al, 2005; 2010; Yogaswara, et al, 2006; 2010). Organizations are competing themselves with others to constantly provide new and better products. As market practices customer-orientation, it becomes a compulsory that organizations pay more attention on customers. Simply doing a good job may not buy customers' loyalty these days (Anantadjaya, 2007; Anantadjaya and Nawangwulan, 2006). Entrepreneurs must balance their efforts between ensuring that their products are safe in the market, and trying to launch new products in the near future. Hence, it appears that entrepreneurs must be alert for new product launching by competitors.

2.1.4. Innovation

Countless efforts on innovation cannot be overlooked. People often referred to new product development whenever a word "innovation" is mentioned (Anantadjaya, 2007; Dauphinais and Price, 1998; Burlton, 2001; Dunham and Venkataraman, 2002; Galliers and Leidner, 2003; Gamsey, et al, 2004; Haag, et al, 2004; Hisrich, et al, 2005; Knyphausen-Aufsess and Bieger, 2006; Irawanto, 2006). At least, this is what most universities, including business schools, are mainly concerned about. Because this appears to be the main agreement toward innovation, courses and curriculums are targeted into product development systems, which gear more toward engineering perspectives. A popular diagram in management, often illustrates the funneling process, which starts from the top of the funnel, but ideas on new products and services emerged from the bottom. In reality, this funneling process may have shown what is really happening. In today's era, however, this funneling process may not be exercised, or even does not exist anymore.

Anantadjaya (2007), and Dauphinais and Price (1998) indicated that innovations are closely tied into long-term view of strategic outlook. Innovations are often performed by members of top management, which is in contradiction to the popular practice on brainstorming over variety of alternatives. This is logically true since a mere brainstorming with random people in any organizations may not reflect and/or otherwise support the strategic view on organizational objectives.

Innovation cannot be considered as a mere outcomes of intelligent individuals. Rather, integrative approaches across divisions in an organization; from organizational strategies, to all departments, such as; research and development, finance, marketing, and production. The ability to manage intellectual and imagination in exploring options, and transform those imaginary ideas into marketable products and/or services, are the assimilated process toward successful innovation. The presence of technology provides an ample leverage toward innovation (Anantadjaya, 2007; Dauphinais and Price, 1998; Kotler, 2000; Burlton, 2001; Dunham and Venkataraman, 2002; Galliers and Leidner, 2003; Garnsey, et al, 2004; Haag, et al, 2004; Hisrich, et al, 2005; Irawanto, 2006; Knyphausen-Aufsess and Bieger, 2006; Yogaswara, et al, 2005; 2010; Yogaswara, et al, 2006; 2010).

2.2. Managerial Strategies

As the purpose of managerial strategies is to provide paths toward the future of the organizations, different types of managerial strategies are indispensable to be overlooked. As previously researched (Anantadjaya, et al, 2010), firms will attempt to reach the highest possible level of resources' utilization rate. The growth theory of the firm and entrepreneurial theory of the firm can certainly be used as the foundation on building-up the necessary arguments toward the importance of managerial strategies.

2.2.1. The Growth Theory of the Firm

The later development of the Penrosean theory of the firm, or otherwise known as "growth theory of the firm", supports the notion that the industrial effect can potentially bring about successful achievement and sustainability of firm's performance (Anantadjaya, 2008; 2009; Stam, et al, 2006). The Penrosean theory of the firm stated that growth represents the end-result of a mixture of creative and dynamic interaction between productive resources of the firm while matching them to the market opportunities. For this reason, limited availability of firm's resources portrays impediment toward firms' growth. Firms must plan the utilization rate on the available resources wisely. In order to maintain and/or to improve the production activities, there are additional resources to be taken from the market. It is important to absorb services from existing management as a way to set a limit to the amount of expansion that can be planned and executed although additional resources from marketplace become a necessity. This is true for both external growth, where firms try to maximize the utilization rate of external resources, which may include mergers or acquisitions, and internal growth, where firms try to maximize the utilization rate of internal resources, which may include improvement on human capital (Anantadjaya, 2008; 2009; Anantadjaya, et al, 2010; Nawangwulan, et al, 2006; Noe, et al, 2008; Yogaswara, et al, 2005; 2010; Yogaswara, et al, 2006a; 2006b; 2010). Hence, firms are not necessarily confined with any given products and/or resources. This shows that there is a relatively close connection between various kinds of resources with which the firms work on, and development of ideas for future endeavors. Since the firm's concentration is usually on the internal productive resources, it has a tendency to increase demands toward maximizing the use of the unproductive resources. Thus, management and entrepreneurs are faced with demands for expansion, innovation, and making a good use of all sources of competitive advantage. This competitiveness environment pressures firms to specialize in areas that they are doing comparatively good over period. Existing products are merely representing the current ways of any firm in using its various resources toward sustainability. It provides factual grounding on numerous product developments to obtain all firms' potentials. The success of the firm may certainly rest on that final product. However, today's firms are relying on new products, which are substantially different from their original products that they were once based their success on.

Aside from the various product manufacturing of a given firms, managerial styles and entrepreneurial activities represent productive factors of production as well. However, often times, such managerial styles and entrepreneurial competence may well be viewed as unproductive. Conservatism attitudes toward financial dealings, or general precautions toward various investment decisions, are often labeled as failure to maximize profits. Thus, it is said to be a major failure toward supporting growth of the firm (Anantadjaya, et al, 2010; Stam, et al, 2006). The fact of the matter today is that managerial styles and entrepreneurial efforts often create substantial growth of the firm (Anantadjaya, et al, 2010; Anantadjaya and Nawangwulan, 2006; Cardy and Selvarajan, 2006; Carroll and Hunter, 2005; Noe, et al, 2006).

2.2.2. Entrepreneurial Theory of the Firm

As firms developed and evolved dramatically over the period, a more dynamic approach needed to be developed. It has been realized that the actual interactions on how firms evolve and co-evolve with other firms and marketplaces, how the boundaries of firms are affected by such evolvement, how to identify firm's internal development, how to identify paths to take on, and many other queries (Anantadjaya, et al, 2010; Carson, 2006; Stam, et al, 2006; Westaby, 2005; Whincop, 2000). Those inquiries seem to combine the traditional theory of the firm, theory of the growth of the firm, and the roles of management and entrepreneurs in the firms; to form a new theory of firm, or better known as the theory of the entrepreneurial-growth-firm (Forman, 2006a; Forman, 2006b; Stam, et al, 2006). There are people, who believe that firms' existence and roles of entrepreneurs cannot be separated from each other. The existence of firms and firms' abilities to evolve in the marketplace are mainly due to the roles of entrepreneurs and management members in creative thinking and managing the dynamic interaction among people of colors; not only inside the firms, but also with others outside the firms (Anantadjaya, et al, 2010; Foss and Klein, 2004; Garnsey, et al, 2004).

The theory of the entrepreneurial-growth-firm represents the dynamic entity of a firm. In the dynamic environment, certain developmental processes are common in entrepreneurial firms. Mobilizing resources are the key to form a resource base, which is capable of generating hefty returns. This way of thinking is certainly supported by Penrosean theory of the growth of the firm (Anantadjaya 2008; 2009; Stam, et al, 2006); that was, growth is a cumulative process whereby members build knowledge and competence together. Growth for firms is perpetuated by "productive opportunity", which occurs in cumulative processes of interaction between the firm's productive base and market opportunities. This is the area where entrepreneurs seek to secure the productive opportunities, which may include of all the productive possibilities that entrepreneurs can take advantage of. Although all of these thinking are formulated only in the entrepreneurs' imaginations, such imaginations broaden the range of investment opportunities for firms. Entrepreneurs do not just perceive opportunities that have existed in the market as a result of various types of changes in prices or preferences. Entrepreneurs attempt to create many opportunities. To realize these opportunities, entrepreneurs must organize business activities. Firm's resource base needs to be presented and mobilized before entrepreneurs can attempt to organize business activities. Thus, entrepreneurs need match up market opportunities to the available resources for firms to start growing (Colombo and Grilli, 2005; Westaby, 2005; Whincop, 2000).

Due to the complexities and large amount required to set-up internal productive bases, many young firms intent to do so using their simple base. Given such limitations, start-up firms, and young organizations, may have to rely on the entrepreneurs' ability in mobilizing resources to start building the firms' internal productive base. As firm grows, dynamic processes occur internally as firms attempt to maintain the current level of production, while achieving sustainable growth into years to come. The main ingredient for sustainable growth is the ability to build solid resource base and adapt such a resource base to respond to new opportunities in the market. Since market and opportunities vary over time, firms may mobilize resources to generate maximum returns from any productive activities, which are chosen from all alternatives suitable to the firm's abilities, of course, taking into account the financing abilities, production scopes, economics of scale, and the preferences of the entrepreneurs. Although preferences of entrepreneurs may be modest, the entrepreneurial firms will pursue expansion regardless. In the case of start-up firms, moderate expectations and limited access to various resource-bases may be the significant reasons for modest growth projection. As it becomes relatively logical for firms to continuously growing, failure to do so may put the firms into jeopardy as firms are challenged by demands of coordinating growth (Stam, et al, 2006; Yogaswara, et al, 2005; 2010).

As in the previous theories, the entrepreneurship growth theory of the firm maintains solid grasp that entrepreneurs and managers are rational. Thus, as mentioned, this states that entrepreneurs and managers will act and/or otherwise response rationally to achieve the organization's maximum profits (Colombo & Grilli, 2005; McKoy, 2006; Fulghieri and Suominen, 2005; Stam, et al, 2006), by means of; creating high-performance work practices (Anantadjaya, et al, 2010; Jensen, 2001; Kohlbeck and Mayhew, 2006; Noe, et al, 2008), achieving high-performance work practices (Anantadjaya, et al, 2010; McKoy, 2006; Noe, et al, 2008), creating feedback mechanism (Carson, 2006), quality control, balanced scorecard (Anantadjaya, 2007), and measurements on corporate governance (Bauer, et al, 2004, Tabalujan, 2002).

Hence, it becomes apparent that through these combinations of theories of the firm, the role of entrepreneurs in managing firms can certainly be divided as business owners, or managers. This paper attempts to investigate this matter deeper. It is also expected that this paper can provide sufficient empirical evidence that roles of entrepreneurs can be accounted for and appropriately measured.

3. RESEARCH METHOD

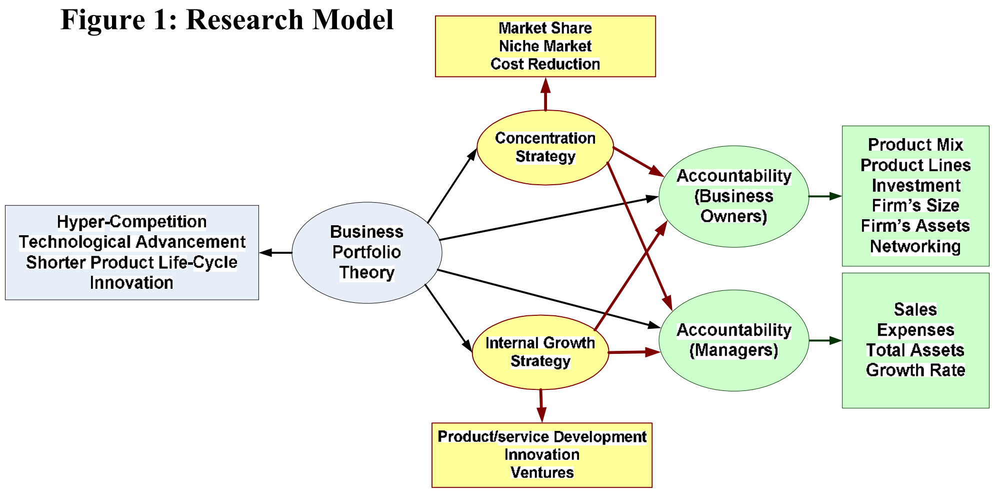
A non-probability cluster convenience sampling method is used in this study to note the characteristics of those young firms in certain locations, and industries. The non-probability cluster convenience sampling method is used to segregate firms in Jakarta and Bandung (Anantadjaya, et al, 2007; Yogaswara, et al, 2005; 2006a; 2006b; 2010).

Research is conducted by gathering data from primary and secondary sources in service industries in Jakarta and Bandung. Aside from the qualitative analyses, which are based on interviews and direct field observations, a combination of quantitative inferences will be gathered to present the statistical results pertinent to this study. As stated, it is expected that such studies would reveal the significance of entrepreneurs' accountability in young firms.

3.1. Research Model

The research model in this study is as illustrated in the following diagram. The diagram illustrates the possible influence between business portfolio theory, managerial strategies, and accountability measurements. It is expected that business portfolio theory has a positive relationship toward managerial strategies, of either concentration strategy, or internal growth strategy. It is expected that managerial strategies, which are represented by concentration strategy and internal growth strategy, have positive relationships toward entrepreneurs' accountability, either as business owners, or as managers.

Figure 1: Research Model



3.2. Variables

3.2.1. Business Portfolio Theory

The variable "business portfolio theory" is used to show the externalities that entrepreneurs must consider at all time. As previously mentioned, this paper focuses on 4 factors of hyper-competition, technological advancement, shorter product life-cycle, and innovation, to illustrate the influential factors toward business portfolio. In accordance with Besanko, et al (2000), the assumption behind business portfolio theory is that individual entrepreneurs and organizational entrepreneurs are rational. It suggests that business portfolios are compiled to reach the maximum returns via "profit maximizing", or "least-cost". Thus, the conditions of hyper-competition, technological advancement, shorter product life-cycles, and innovation are likely to force entrepreneurs to think creatively and instantaneously modify their business portfolios in such a way that keep operational activities against the odds. At the very least, entrepreneurs must be concerned with attempts on maximizing the organizational economies of scale, or the economies of scope, or even both (Besanko, et al, 2000).

3.2.1.1. Hyper-Competition

As previously mentioned, this study attempts to rely on internal and external data to note on the condition of hyper-competition. Various accounting records, such as; sales, interest rates on loans, interest rates on deposits, and exchange rates, may show the likelihood of hyper competition. External variables are also available for use toward estimating the possibility of hyper competition; for instance, stock indexes, numbers of substitutes, marketable securities, inflation, and variations of price levels for similar products and services. Based on the preliminary empirical studies, which were initially conducted in 2005 and 2006, but were repeated in the second semester of 2010 (Yogaswara, et al, 2005; 2006; 2010), it is expected that those variables were able to show the symptoms of hyper-competition. Individually, those variables may not able to show indications of hyper-competition. However, when those variables are evaluated together, it is probable that hyper-competition is influencing the organizations (Anantadjaya, 2007).

3.2.1.2. Technological Advancement

As previously mentioned, this study attempts to rely on the following dimensions to represent the condition of technological advancement; the use of computers, use of intranet, use of internet, owned a web address, owned an email address, use of particular software for managerial decision (Galliers and Leidner, 2003; Haag, et al., 2004), existence of EDP (Galliers and Leidner, 2003; Haag, et al., 2004), and use of LAN (Galliers and Leidner, 2003; Haag, et al., 2004), including the necessary funds toward purchases of those hardware and software, and internet-related expenses, perhaps. Based on the initial empirical studies of "entrepreneurial research" in 2005 and "management audit" in 2006, which were repeated in the second semester of 2010, it is expected that those variables were able to show the symptoms of technological advancement within an organization (Yogaswara, et al, 2005; 2006; 2010). Since those dimensions are merely provide categorical responses, other more "continuous" dimensions are chosen from the internal bookkeeping, such as; expenses on hardware purchases, expenses on software purchases, expenses on internet use, and expenses on web development and/or regular maintenance. It is expected that the higher figures on those "continuous" dimensions, the more likely that an organization is aware on technological advancement, and thus, start absorbing such technological advancement into the organizational operations.

3.2.1.3. Shorter Product Life-Cycles

As previously mentioned, this study attempts to rely on the following dimensions to represent the condition of shorter product life-cycle; time required to observe modifications in competitors' product designs, time required to distinguish modifications in competitors' product packaging, introduction of new services, introduction of new flavors, introduction of new colors, price-bundling deals, sales promotional activities, and sales growth rate. Based on the initial empirical studies of "entrepreneurial research" in 2005 and "management audit" in 2006, which were repeated in the second semester of 2010, it is expected that those variables were able to show the organizational product status on the product lifecycles (Yogaswara, et al, 2005; 2006; 2010). Internal data is definitely used particularly to note the timing required to introduce new product design, new product packaging, new services, new flavors, new colors, price-bundling deals, sales promotional activities, budget on sales promotional activities, and sales growth. When the figures on those variables increase, it is expected that this is a signal toward shorter product life-cycle. As competitors introduce those types of variations in their products and/or services, the product life-cycle for existing products and services will be pushed shorter, as they are likely to be replaced by the new products and/or services.

3.2.1.4. Innovation

As previously mentioned, this study attempts to rely on the following dimensions to represent innovation; new designs, new colors, new packaging, new layouts, and new ventures. Such choices of variables are limitless, not only the categorical types of dimension, which only have the ability to show responses of 1 or 2, for example, but should also include the "continuous" types of dimension, such as; required funds toward realizing such innovative ideas onto the products and/or services, the sales of those new products and/or services, the profit margin of those new products and/or services, the discounts of those new products and/or services, and the markups of those new products and/or services. Based on the initial empirical studies of "entrepreneurial research" in 2005 and "management audit" in 2006, which were repeated in the second semester of 2010, it is expected that those variables were able to show innovative efforts from the entrepreneurs (Yogaswara, et al, 2005; 2006a; 2006b; 2010). Internal data is definitely used particularly to note the new designs, new colors, new packaging, new layouts, and ventures. More "continuous" types of dimension are also incorporated to note the signals of innovation within an organization, such as; funds toward research and development, sales of new products and/or services, gross profit margin, markdowns and markups of those new products and/or services. When the figures on those dimension increase, it is expected that the innovative efforts become prominent within an organization.

3.2.2. Managerial Strategies

Following the notion of the affecting factors as mentioned above, entrepreneurs shall uphold the implementation of growth strategy. Variables chosen to measure growth strategy follow the concepts on directional strategies from Noe, et al (2008), specifically on “concentration strategy”, and “internal growth strategy” (Anantadjaya, et al, 2010). Concentration strategy focuses on increasing market share, creating market niche, and cost efficiency. Internal growth strategy emphasizes on product/service development, including innovation and potential ventures with other businesses. Aside from the qualitative analyses, which are based on interviews and direct field observations, a combination of quantitative inferences will be gathered to present the statistical results pertinent to this study. As stated, it is expected that such studies would reveal the significance of roles of entrepreneurs in trying to safeguard their accountability on various operational activities.

3.2.3. Entrepreneurs’ Accountability

In terms of entrepreneurs’ accountability, roles of entrepreneurs are separated into “entrepreneurs’ accountability as business owners”, and “entrepreneurs’ accountability as managers”. With regards to the preliminary concept on entrepreneurship, dimensions chosen to measure entrepreneurs’ accountability as business owners include; product mix, product lines, investment, firm’s size, firm’s assets, and networking. Since activities of entrepreneurs as business owners are closely-attached to risks, those variables are chosen to represent the riskier nature of such a role. Dimensions chosen to measure entrepreneurs’ accountability as managers include; sales, expenses, total assets, and growth rate. Since activities of managers are closely-attached to effectiveness, those variables are chosen to represent the effective nature of such a role, by simply following firms’ established guidelines, objectives, and targets.

Since young firms are the focus in this study, financial measurements from those organizations are represented in daily average over a minimum of 12 months period, up to December 2010. The main reason for this is simply due to the simplicity of organizations’ financial records. Complete financial records to reflect the accurate accounting principles are rarely incorporated. Nevertheless, it is expected that those financial measurements are able to show the accountability of entrepreneurs.

3.3. Research Design and Procedures

Research was initially conducted by gathering data from primary and secondary sources in service industries in Jakarta and Bandung. Based on the previous studies by Anantadjaya (2007) and Yogaswara, et al (2005; 2006; 2010), the original sample consists only 50 respondents, whose businesses are still relatively young, and operate in the service industries in the cities of Jakarta and Bandung, in Indonesia. Those respondents are chosen due to previous acquaintances during prior studies. The products and services sold in those establishments range from bakery/cakes, hair-dressers, barbershops, laundry/dry cleaning services, delivery/courier agencies, copy centers, computer/internet rentals, cellular phone vouchers, garment/textile kioks, and study/tutorial centers for computer and language training. Since the total respondents were relatively minimal, additional data gathering was performed to increase the number of respondents (Anantadjaya, 2007; Anantadjaya, et al, 2007; Nawangwulan, et al, 2007; Yogaswara, et al, 2007; 2010).

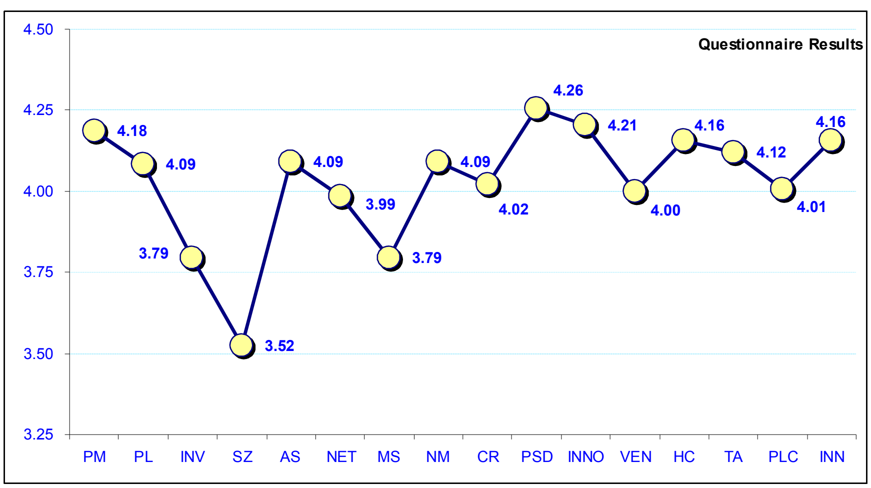
All participants were distributed a set of questions regarding the 4 affecting factors, concentration strategy, internal growth strategy, entrepreneurs' accountability as business owners, and entrepreneurs' accountability as managers. Few preliminary statistical analyses were processed using SPSS. Path analyses were processed by AMOS.

4. DATA ANALYSIS

With a total of 141 respondents, about 57% of those respondents are located in Jakarta, and the remaining 43% is in Bandung. Since there were no significant differences in the demographic or responses regardless of the city, their responses were combined.

The respondents' financial characteristics, as dimensions of accountability as managers, over the 12-month period, up to December 2010, were as follows;

- The average daily sales were Rp. 315,519, with a standard deviation of Rp. 316,801. It indicated that there were entrepreneurs with average daily sales of as much as Rp. 632,320.
- The average daily expenses were Rp. 90,390, with a standard deviation of Rp. 113,881. It indicated that there were entrepreneurs with average daily expenses of as much as Rp. 204,2721.
- The average total assets were Rp. 27.5 million, with a standard deviation of Rp. 30.4 million. It indicated that there were entrepreneurs with average total assets of as much as Rp. 57.9 million.
- The average growth rate was 0.54%, with a standard deviation of 0.21%. It indicated that there were entrepreneurs with an average growth rate of as much as 0.75%.



The respondents' characteristics based on the questionnaires, were as follows;

- Dimensions of business portfolio theory: the lowest average is shorter product life-cycle, and both hyper-competition and innovation are tied at the highest average.
- Dimensions of concentration strategy: the highest average is niche market, and the

lowest average is market share.

- Dimensions of internal growth strategy: the highest average is product/service development, and the lowest average is ventures.
- Dimensions of accountability as business owners: the highest average is product mix, and the lowest average is firm's size.

Table 1: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.026	**.846**	20

Source: SPSS student version

The reliability statistics indicated that the data are considered 85% reliable. The reliability statistics appeared to indicate an acceptable degree of reliability. This means that the data set used in this study can be analyzed further. Nevertheless, since the descriptive statistics indicated that there was variability in terms of the scaling on the original data, a standardization process on scaling is deemed necessary. Standardized Z-scores are used in further analysis.

From the validity statistics table, it is apparent that the results of path analysis were considerably valid. The measurement on model fit Root-Mean-Square Residual ("RMR") indicates 0.032. Any values smaller than 0.05 are considered valid (Ghozali, 2004; Santoso, 2009; Schumacker dan Lomax, 2004; Wijaya, 2009). Other supporting measurements on Normed Chi Square ("CMIN/DF") of 2.436, Goodness of Fit Index ("GFI") of 0.915, Adjusted Goodness Fit Index ("AGFI") of 0.867, and Parsimonious Goodness of Fit Index ("PGFI") of 0.878, indicate that the model meets the standard validity criteria (Ghozali, 2004; Santoso, 2009; Schumacker dan Lomax, 2004; Wijaya, 2009).

Table 2: Validity Statistics

Model	RMR	CMIN/DF	GFI	AGFI	PGFI
Default model	**0.032**	**2.436**	**0.915**	**0.867**	**0.878**
Saturated model		1.000		1.000	0.000
Independence model	0.331	0.000	0.000	0.000	0.000

Source: AMOS student version

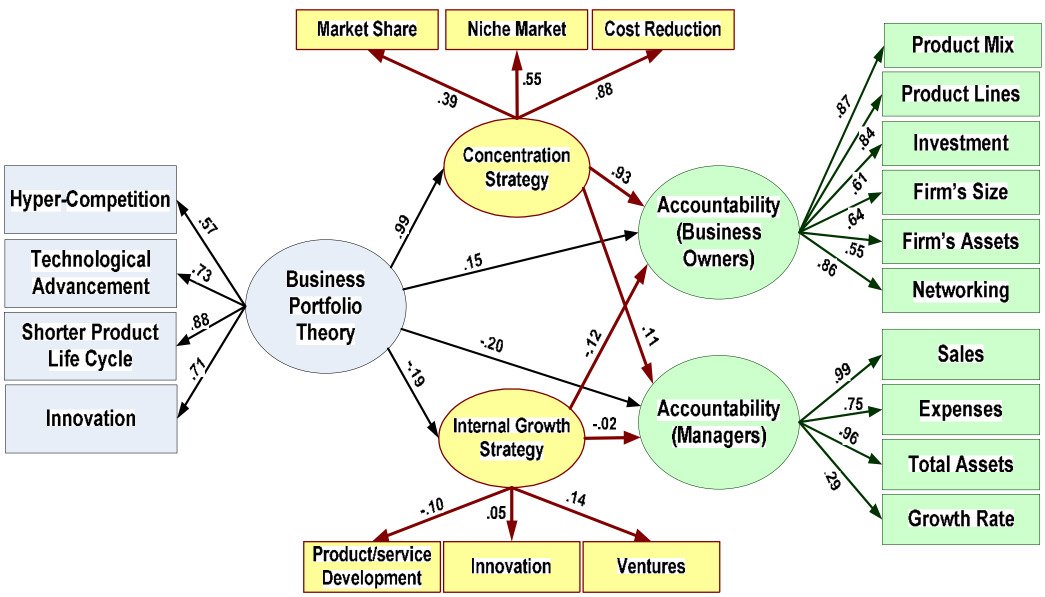
Referring to the structural model in the following diagram, the following can be analyzed;

- The correlations on all dimensions used to indicate the business portfolio theory show considerable strengths. Though hyper-competition appears to have the lowest level of correlation, it signifies that hyper-competition, technological advancement, shorter product life-cycle, and innovation, have satisfactory power to explain the business portfolio theory. These empirical evidences conform to the underlying theory used in this study.

  It should be noted that, respondents' responses show that shorter product life-cycle appears to be the dominant factor of business portfolio theory. This may be perceived as the fact that products/services in the marketplaces are constantly changing. Entrepreneurs may have to be in the watchful stage since competitors are flooding the market with everlasting new additions. Failure to entertain the market with new additions, variations, modifications, packaging, and/or totally brand new innovation, entrepreneurs may be forced to re-evaluate their own business portfolio toward maintaining organizational growth.

On the contrary, respondents show that hyper-competition appears to be the weakest link. This may be perceived as the fact that other dimensions used to measure business portfolio theory may be valued as better measurements by respondents. Or, it simply seems that hyper-competition could be used as the summary of other dimensions. Hence, it may be a bit redundant to include hyper-competition as a separate factor to measure business portfolio theory.

Figure 2: AMOS' Structural Model



- The correlations on all dimensions used to indicate the concentration strategy show satisfactory strengths. With the exception of market share, niche market and cost reduction appear to have the satisfactory power to explain the actual implementation of concentration strategy. These empirical evidences conform to the underlying theory used in this study.

  The marginal strength of correlation between market share and concentration strategy may be perceived as the ultimate objectives of entrepreneurs in young firms. This means that entrepreneurs in young firms may not be trying to enlarge the market share. Instead, those entrepreneurs are targeting more into niche market, perhaps, by promoting differentiations of characteristics/attributes on products/services, including attempting to reach the minimal cost of production possible. It appears that those entrepreneurs are targeting the title of "winning" in a certain category, rather than having a large customer base. This is certainly apparent in the market. Given the relatively small size, most young firms have the flexibility to offer more customized products and services.

  Referring to the positive-strong correlation of 0.99 between business portfolio and concentration strategy, it shows that entrepreneurs in young firms strive for differentiations to maintain their existence in the niche marketplaces, and continuous cost reduction to run their business operations.

- The correlations on all dimensions used to indicate the internal growth strategy show unsatisfactory strengths. This indicates that entrepreneurs in young firms may not be considering internal growth strategy in trying to continuously expand the scope of the firms. This is also evident by the negative correlation of -0.19 between business portfolio and internal growth strategy. This negative correlation indicates that when the dimensions of business portfolio become more prominent in the marketplaces, entrepreneurs in young firms rely more on concentration strategy to grow. The opposite is true. This seems to follow the logical thinking – as forces of hyper-competition, technological advances, shorter product life-cycle, and innovation are stronger, entrepreneurs in young firms may not have the sufficient funds to directly compete with competitors in product/service development, being creative/innovative, and setting-up ventures with other organizations. In such conditions, entrepreneurs in young firms may only have the choice to indirectly compete in niche market and cost reduction. Having said that, it is also clear that entrepreneurs in young firms prefer to incorporate concentration strategy in running their business operations.

- Though it is a mere 0.15, the structural model indicates a positive correlation between business portfolio and accountability as business owners. It means that entrepreneurs are countering-attack the influence of hyper-competition, technological advancement, shorter product life-cycle, and innovation with product mix (perhaps, via variations of sizes, colors, and/or other customized dimensions), product lines (perhaps, via variations of products offered), and establishing networking, before engaging in additional investment, attempting to increase the firms' size, attempting to increase the firms' assets.

- A negative correlation of -0.20 between business portfolio and accountability as managers, indicates that entrepreneurs rely less on sales, expenses, total assets, and growth rate to expand their firms. This becomes empirical evidence that entrepreneurs in young firms do not take-on the role as managers. Hence, the entrepreneurs' accountability as managers is relatively non-existence. Though it may sound disturbing, nonetheless, it is logically accepted for entrepreneurs to take-on the role as business owners in trying to ensure growth toward years to come.

- Taking into account the impact of concentration strategy, the correlation shows a strong-positive of 0.93 toward the accountability as business owners. This correlation supports the findings that entrepreneurs do not take-on the role as managers, as mentioned previously. This simply means that entrepreneurs focus on product mix, product lines, and networking to expand the organizations and building-up the business portfolio. As the next lower priority, entrepreneurs rely on additional investment, increasing firm's size and assets as the basis for growth. Since the dimensions of accountability as business owners rely more on questionnaires, which tend to be more subjective in nature, this may suggest that entrepreneurs engage in the business operations based on certain behaviors as a mere responses to the macro-economic conditions. This is to say that the likelihood of creating product mix, increasing product lines, committing on more investment, attempting to increase the organizational size, attempting to increase the underlying assets, and establishing networking, depends more on behavioral natures of entrepreneurs. This seems to conform to the common believe that entrepreneurs are constantly joggling risks and returns at all time.

- Following on the above findings, taking into account the impact of concentration strategy, the correlation shows a weak-positive of 0.11 toward the accountability as managers. As mentioned, this correlation supports the findings that entrepreneurs do not take-on the role as managers.

- Taking into account the impact of internal growth strategy, the correlation shows a negative of -0.12 toward accountability as business owners. This is understandable since it supports the previous findings that entrepreneurs do not rely on internal growth strategy for expansions, and/or managing the business portfolio.

- Following on the above findings, taking into account the impact of internal growth strategy, the correlation shows a negative of -0.02 toward accountability as managers. Again, this is reasonable since it supports the previous findings that entrepreneurs do not rely on internal growth strategy for expansions, and/or managing the business portfolio.

5. Conclusion & Recommendation

5.1. Conclusion

The statistical calculations and empirical findings provide evidence that there are relationships between business portfolio theory, managerial strategies, and entrepreneurs' accountability. These findings support the theoretical background used in this study. Clearly, the path analysis indicates the strong relationships between business portfolio theory, concentration strategy, and entrepreneurs' accountability as business owners. This study suggests that (1) entrepreneurs incorporate concentration strategy in the attempt to counter the pressures on macro-economic conditions, and (2) entrepreneurs take-on the role as business owners in managing their business operations, in the attempt to expand their organizations. As mentioned, since the dimensions of accountability as business owners are based on subjective natures of questionnaires, it is considered safe to conclude that entrepreneurs' accountability tends to be encircled around entrepreneurs' actual behaviors in dealing with the operational activities, than accounting reasons. Though this study relies heavily on micro organizations, at least, this study supports the increasingly popular field of behavioral studies, particularly in the areas of accounting and finance. Unfortunately, this study fails to provide substantial evidence that entrepreneurs take-on the role as managers, and thus be accounted for their actions based on accounting records.

5.2. Recommendation

Though this study is able to show convincing relationships among variables, nevertheless, this study has deficiencies. It is recommended that further studies should incorporate more variables, supporting theories, and covering a larger scope of respondents, including bigger and more established firms. Perhaps, more explicit analysis on human psychology and individual/group behaviors ought to be incorporated to note the actual behaviors of entrepreneurs and roles of entrepreneurs in dealing with business operations.

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